

Message Text

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AMCONSUL HONG KONG

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

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UNCLAS TOKYO 11456

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TAGS: EFIN, JA

SUBJECT: JAPAN'S BALANCE OF PAYMENTS IN JULY - PROVISIONAL

DEPT. PASS TREASURY, CEA AND FEDERAL RESERVE

1. SUMMARY: IN PROVISIONAL JULY B/P STATISTICS JAPAN'S
OVERALL BALANCE MOVED BACK INTO SURPLUS AFTER THREE CON-
SECUTIVE MONTHS' DEFICITS DUE TO CONTINUED FAVORABLE TRADE
BALANCE AND SMALLER NET OUTFLOW IN NON-MONETARY SHORT-
TERM CAPITAL (INCLUDING ERRORS AND OMISSIONS) IN SPITE OF
LARGER NET PAYMENTS FOR SERVICES AND TRANSFERS THAN PRIOR
MONTH. END SUMMARY.
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2. MOF OFFICIAL NOTED THAT \$500 MIL DEFICIT IN SERVICES
AND TRANSFERS IN JULY WAS \$51 MIL LARGER THAN IN JUNE BUT
REMAINED AT THE LEVEL OF USUAL MONTH. OFFICIAL SAID
SOMEWHAT LARGER DEFICIT REFLECTS SEASONAL UPSWING IN

PAYMENTS FOR OVERSEAS TRAVEL BY JAPANESE DURING SUMMER VACATION SEASON.

3. THE LONG-TERM CAPITAL ACCOUNT REGISTERED \$130 MIL NET INFLOW IN JULY. MOF SOURCES SAID INVESTMENT INTO JAPANESE STOCKS BY NON-REIDENTS WAS SMALLER IN JULY THAN IN PRIOR MONTH, BUT FOREIGN BUYING OF JAPANESE BONDS INCREASED SUBSTANTIALLY, RECORDING NET INFLOWS OF \$20 MIL AND \$240 MIL, RESPECTIVELY. BOND ISSUES ABROAD BY JAPANESE ENTERPRISES STAYED BRISK, TOTALING \$160 MIL IN JULY. ON THE OTHER HAND, JAPANESE PRIVATE ENTERPRISES INCLUDING BANKS SHARPLY INCREASED THEIR LEANDING ABOARD IN JULY. AS A RESULT, JULY LONG-TERM CAPITAL SURPLUS REMAINED AT SIMILAR LEVEL REGISTERED IN PRIOR MONTH.

4. IN JULY NON-MONETARY SHORT-TERM CAPITAL AND ERRORS AND OMISSIONS RECORDED SMALLER DEFICIT OF \$120 MIL THAN THE \$464 MIL DEFICIT REGISTERED IN JUNE. THIS WAS ATTRIBUTED TO USUAL SEASONAL PATTERN OF REDUCED PAYMENTS BY JAPANESE TRADING FIRMS TO THEIR OVERSEAS BRANCHES.

5. TRADE SURPLUS (NOT SEASONALLY ADJUSTED) INCREASED \$45 MIL FROM JUNE TO \$540 MIL IN JULY. JAPAN'S UNADJUSTED EXPORTS RECORDED THIRD MONTHLY YEAR-OVER-YEAR DECLINE WHILE UNADJUSTED IMPORTS REGISTERED SIXTY YEAR-OVER-YEAR DROP IN JULY. MOF OFFICIAL, HOWEVER, NOTED YEAR-TO-YEAR PERCENTAGE DECLINE IN JULY IMPORTS WAS SMALLER THAN IN PRIOR MONTHS. ON SEASONALLY ADJUSTED BASIS, JULY TRADE SURPLUS DECREASED BY \$344 MIL TO \$343 MIL LEVEL -- THE SMALLEST SURPLUS IN EIGHT MONTHS. EXPORTS (F.O.B.) DECLINED \$91 MIL (2.1 PERCENT) WHILE IMPORTS (F.O.B.) INCREASED \$253 MIL (6.7 PERCENT). MOF OFFICIAL SAID SHARP PERCENTAGE INCREASE IN SEASONALLY ADJUSTED IMPORTS IN JULY DOES NOT NECESSARILY MEAN RECOVERY IN JAPAN'S IMPORTS SINCE CRUDE OIL IMPORTS IN JULY RECOVERED TO THE MORE NORMAL MONTHLY LEVEL FROM THE SHARP DROP IN JUNE. HOW-

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EVER, MOF OFFICIAL PREDICTED GRADUAL RECOVERY IN JAPAN'S EXPORTS AND IMPORTS IN THE MONTHS AHEAD ALTHOUGH LEADING INDICATORS OF TRADE (E.G. LETTERS OF CREDIT AND LICENSES FOR IMPORTS) SHOWED CONTINUING STAGNATION. OFFICIAL CITED REASONS FOR LIKELY RECOVERY AS SEVERAL GOJ ANTI-RECESSION MEASURES AND SIGN OF RECOVERY IN U.S.ECONOMY. MOF OFFICIAL SAID NO SUBSTANTIAL REVISION WILL BE NECESSARY IN THE PROJECTION OF JAPAN'S TRADE SURPLUS FOR JFY 1975 (FROM APRIL 1975 TO MARCH 1976) FROM THE PREVIOUSLY ANNOUNCED OFFICIAL PROJECTION OF \$5.2 BIL.

6. OVERALL BALANCE REGISTERED \$50 MIL SURPLUS; INCREASE IN COMMERCIAL BANKS' SHORT-TERM NET POSITION WAS \$340 MIL AND SURPLUS OF OFFICIAL SETTLEMENTS BALANCE WAS

\$390 MIL. MOST OF THE OFFICIAL SETTLEMENTS SURPLUS
REPRESENTED SALE AT MATURITY OF SHORT-TERM GOJ BILLS
BY FOREIGNERS.

PUBLISHED OFFICIAL RESERVES INCREASED \$31 MILN JUNE
LEVEL TO \$14,635 MIL. GOLD AND FOREIGN EXCHANGE TOTALED
\$13.322 MIL, GOLD TRANCHE \$788 MIL, AND SDR'S \$525 MIL.

7. FOLLOWING ARE PRELIMINARY MOF DATA ON JULY BALANCE
OF PAYMENTS IN MIL DOLLARS (IMF BASIS, NOT SEASONALLY
ADJUSTED). RECEIPTS AS WELL AS INCREASE IN RECEIPTS OR
DECREASE IN PAYMENTS ARE SHOWN AS PLUS; QUOTE MIN UNQUOTE
INDICATES OPPOSITE.

	JULY	JUNE	
	PROVISIONAL	REVISED	INCREASE
(1) CURRENT BALANCE	40	46	6
TRADE BALANCE	540	495	45
EXPORTS	4,700	4,400	300
IMPORTS	MIN CUXJQAGMIN	3,905	MIN 255
SERVICES AND			
TRANSFERS	MIN	500	MIN 449 MIN 51
(2) LONG-TERM CAPITAL		130	136 6
(3) BASIC BALANCE	170	182	MIN 12
(4) NON-MONETARY SHORT- TERM CAPITAL AND ERRORS AND OMIS- SIONS COMBINED	MIN	120	MIN 464 344

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(5) OVERALL BALANCE	50	MIN 282	332
(6) COMMERCIAL BANKS SHORT-TERM NET POSITION	340	403	MIN 63
(7) OFFICIAL SETTLE- MENTS BALANCE	390	121	269

8. SEASONALLY ADJUSTED TRADE DATA (KMF BASIS) AS FOLLOWS:

	JULY	JUNE	
	PROVISIONAL	REVISED	INCREASE
EXPORTS	4,346	4,437	MIN 91
IMPORTS	MIN 4,003	MIN 3,750	MIN 253
BALANCE	343	687	MIN 344

9. NOTE: RATES OF EXCHANGE USED BY MOF TO CONVERT TO
DOL BASIS WERE 296.17 YEN PER DOL FOR JULY 1975 AND
293.33 YEN PER DOL FOR JUNE 1975.
HODGSON

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